



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

MARIA M. OMS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JUDI E. THOMAS

April 13, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **THE WALL LAS MEMORIAS PROJECT – A DEPARTMENT OF PUBLIC
HEALTH HIV/AIDS PREVENTION SERVICES PROVIDER**

We completed a fiscal review of The Wall Las Memorias Project (The Wall or Agency), a Department of Public Health (DPH) HIV/AIDS prevention services provider.

Background

The DPH's Office of AIDS Programs and Policy (OAPP) contracts with The Wall to provide HIV/AIDS health education/risk reduction services and faith based prevention initiative services in the African-American and Latino communities. The Wall is located in the First District.

At the time of our review, The Wall had two cost reimbursement contracts with OAPP. The Wall received \$308,795 in OAPP funds from January 2008 to December 2008.

Purpose/Methodology

The purpose of our review was to determine if The Wall appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of The Wall's accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White Comprehensive AIDS Resource Emergency Act.

Results of Review

The Wall appropriately recorded and deposited cash receipts timely in the Agency's bank account. However, the Agency billed OAPP \$1,154 in undocumented and unallowable expenditures. In addition, the Agency inappropriately billed OAPP for payroll expenditures based on budget.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with The Wall and OAPP on October 27, 2009. The Agency and OAPP indicated that they agreed with the report. A response from The Wall was originally due on December 9, 2009, but the Agency requested additional time and agreed to submit a corrective action plan to OAPP within 30 days of the issuance of this report. OAPP indicated that they will work with The Wall to resolve the recommendations in this report.

We thank The Wall for their cooperation and assistance during our review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Richard Zaldivar, President/Executive Director, The Wall Las Memorias Project
Public Information Office
Audit Committee

**HIV/AIDS PREVENTION SERVICES
THE WALL LAS MEMORIAS PROJECT
FISCAL YEARS 2007-08 and 2008-09**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in The Wall Las Memorias Project's (The Wall or Agency) financial records and deposited timely into the Agency's bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed the Agency's December 2008 bank reconciliation.

Results

The Wall appropriately recorded and deposited Office of AIDS Programs and Policy (OAPP) payments timely into the Agency's bank account. However, the bank reconciliation did not show that it was reviewed and approved by management.

Recommendation

1. The Wall management ensure bank reconciliations are reviewed and approved by management.

COST ALLOCATION PLAN

Objective

Determine whether The Wall's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed The Wall's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency between January 2008 and December 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

The Wall's written Cost Allocation Plan was appropriate. However, The Wall did not use the Plan to allocate shared program expenditures. Instead, the Agency billed OAPP 1/12th of their budgeted amounts each month for rent, accounting services, insurance, utilities and telephone expenditures, totaling \$37,947. In addition, The Wall did not record shared cost in their accounting records. The Wall needs to allocate their shared program expenditures in accordance to their Cost Allocation Plan and repay OAPP for any over billed amounts.

Recommendations**The Wall management:**

2. **Allocate shared program expenditures for the period ended December 31, 2008 in accordance to the Cost Allocation Plan and repay OAPP for any over billed amounts.**
3. **Ensure shared program expenditures are recorded to OAPP cost centers.**

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented, and accurately billed to the OAPP Program.

Verification

We reviewed financial records and documentation to support 17 non-payroll expenditure transactions billed to OAPP between January 2008 and December 2008, totaling \$16,125.

Results

The Wall over billed OAPP \$395 (\$145 + \$250) in charges that exceeded the contract's line item budget amounts. Specifically, the Agency billed OAPP:

- \$145 for Spanish language software. The \$145 exceeded the contract's line item budget amount for training.
- \$250 for translation services that were incorrectly charged as incentives. The \$250 exceeded the contract's line item budget amount for translation services.

Recommendations**The Wall management:**

- 4. Repay the Department of Public Health (DPH) \$395 (\$145 + \$250) for the unallowable expenditures.**
- 5. Ensure expenditures are correctly classified in the accounting records.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchases made with program funds are used for the OAPP Program and are safeguarded.

We did not perform test work in this area as the Agency did not purchase fixed assets with OAPP funds.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures are appropriately charged to the OAPP Program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures of four program employees totaling \$10,181 to the payroll records and benefit remittance invoices for November 2008. We also reviewed the employees' personnel files.

Results

The Wall did not maintain adequate documentation to support the \$10,181 billed to OAPP. Specifically, the Agency:

- Did not maintain an employee benefits log to track employee sick time, vacation, personal time, etc., hours earned and hours used. Therefore, \$1,903 billed to OAPP for vacation taken by the Associate Director was not supported. Subsequent to the

exit conference, The Wall provided additional documentation to support the \$1,903 in payroll expenditures.

- Billed payroll based on budgeted full time positions not actual time spent by employees performing OAPP related activities as required by the County contract.
- Did not require their staff to report the actual hours worked on the OAPP Program on their timecards. As a result, we were unable to verify the appropriateness of the payroll expenditures billed to OAPP.

Recommendations

The Wall management:

6. **Maintain a log to track the accumulation and usage of employee benefits.**
7. **Ensure payroll billings are based on actual hours worked on OAPP related activities.**
8. **Ensure employees' time records indicate the total hours worked on a daily basis by program.**

COST REPORTS

Objective

Determine whether the Agency's Cost Reports reconcile to the Agency's financial accounting records.

Verification

We traced the Agency's Cost Reports for the period ending December 2008 to the Agency's general ledger.

Results

The expenditures reported in The Wall's Cost Reports exceeded their accounting records by \$759.

Recommendations

The Wall management:

- 9. Repay DPH \$759 or provide documentation to support the unsupported expenditures.**
- 10. Ensure Cost Reports are supported by the Agency's accounting records.**